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C O N F I D E N T I A L SECTION 01 OF 02 TUNIS 000105

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SUBJECT: MINISTER JOUINI: UNITED STATES AND TUNISIA NEED TO
BUILD BRIDGES

Classified By: Ambassador Robert F. Godec for reasons 1.4 (b) and (d)

11. (C/NF) Summary: During Ambassador's January 16 courtesy call on the Minister of Development and International Cooperation (MDIC), Mohamed Nouri Jouini discussed the way forward for the US-Tunisian economic relationship. Ambassador asked Jouini what he wanted out of the relationship over the next three years. Jouini wants a policy dialogue and would like to hear about the US vision for Tunisia as well as for the Maghreb region. While he acknowledged that the American economic system is the one that will create the most wealth, Jouini indicated that Tunisia is not currently at a stage in its development where it can automatically adopt all of the policy and regulatory reforms required to mimic the US system. Nevertheless, Tunisia wants to move forward with its structural reforms to improve the business environment. As examples, Jouini indicated that Tunisia is prepared to permit franchising and to improve IPR protection. The Minister affirmed that the GOT is committed to strengthening trade relations with the United States. He emphasized that the way forward was to start building bridges with ongoing exchanges of people and dialogue. Ambassador raised the possibility of a visit by senior Washington officials to discuss a US-Tunisian economic agenda. Jouini welcomed the idea. End Summary.

12. (C/NF) Minister Jouini opened the meeting with a brief economic overview. Jouini then highlighted some of the concerns and issues that Tunisia must tackle in its 11th development plan covering 2007-2016. The main challenge is to generate enough economic growth to meet the rising job demand. (Note: Tunisia faces a high unemployment rate (official rate of 14.2%), particularly among university graduates. End Note.) GOT objectives over the next ten years are to generate a 6.5 percent annual GDP growth rate; maintain the fiscal balance; keep the poverty rate under four percent; drop the external debt ratio under 50 percent of GDP; reduce unemployment to less than 10 percent; and to achieve a per capita GDP of USD 3000. Although structural

and regulatory reforms will be necessary to achieve these goals, Jouini stated that GOT needs to move carefully, using a step-by-step development approach. The GOT cannot afford to make any errors.

13. (C/NF) Ambassador asked Jouini how he envisioned the US-Tunisian economic relationship developing over the next three years and how we could strengthen the dialogue. Jouini replied at length, lamenting that the relationship was not as good as it used to be, but emphasizing that the GOT, at the highest levels, is committed to improving it. Jouini said he wants a policy dialogue with the United States, including the opportunity to present Tunisia's reality (concerns, issues, goals) to the USG. Pointing out that Tunisia is different from others in the region, Jouini also stressed that he wants to hear about the US vision for the region. He wants to discuss specific policies or rules that need to be applied to Tunisia. Jouini said the United States and Tunisia need to start building bridges and mutual understanding via dialogue and exchanges of "real people."

14. (C/NF) Jouini also mentioned that he would like more predictability built into the US-Tunisia relationship. He noted that with the EU there is a plan for the next three to five years. Both parties know what issues will be discussed and make advances and trade-offs as negotiations proceed. As a result, Tunisia is now better-prepared for a free trade zone with the EU and is moving on to dealing with services. Over the next ten to twelve years, he continued, the GOT will be implementing further economic and regulatory reforms in the context of the EU Neighborhood Agreement. Jouini credits this EU process for the economic progress which Tunisia has made over the past 15 years.

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15. (C/NF) Contrasting EU-Tunisian trade talks with those between the United States and Tunisia, Jouini opined that the US process is unpredictable and asks too much from a small country such as Tunisia. The "take it or leave it" approach cannot work for Tunisia, whose current economic and political structure would not be able to survive an immediate and automatic adoption of all the US policies and regulatory reforms. While admitting that the US system is the one that will create the most wealth and prosperity in the long run, Jouini expressed the belief that the GOT needs to continue upgrading its economy and society on a step-by-step basis. He added that he is prepared to be flexible and to move in the direction the United States wants on many issues. He noted, for example, that the GOT intends to permit franchising and improve IPR protection. Jouini concluded the meeting by stating that the GOT wants to learn from the US environment and is open to having a dialogue with US interlocutors. The end goal should be to improve life politically and economically for all Tunisians. Ambassador raised the possibility of a visit by senior Washington officials to discuss a US-Tunisian economic agenda. Jouini welcomed the idea.

16. (SBU) Comment: In light of the positive meeting with Jouini, Post recommends a visit from an interagency team led by a senior State Department or other USG representative. The goal would be to discuss a broader "vision" (i.e., work plan or agenda) for the long-term US-Tunisian economic relationship. While the GOT is not prepared to commit to an FTA negotiation at this time, we believe we can make incremental progress in other important areas. For example, possible practical outcomes for the United States might include a commitment and time frame from the GOT on opening up franchising and improving IPR protection. But beyond these benefits, strengthening the economic relationship will increase our leverage and create opportunities to advance the Freedom Agenda. Across the board engagement with the Tunisians is key to strengthening the relationship and enhancing our ability to press Tunisia toward becoming a model for the region. End Comment.

